

SUPPLIER MANUAL

A Policies and Procedures Manual
for Virginia ABC Vendors and Brokers



Virginia Alcoholic Beverage
Control Authority



FORWARD



The Virginia Alcoholic Beverage Control Authority (Virginia ABC) continually strives to provide the best possible service and product selection for the citizens of the Commonwealth of Virginia. Accomplishing this task requires that we model best practices and are able to adapt to changing consumer demands.

This manual is intended to serve as a reference guide for suppliers who are currently conducting business with Virginia ABC, as well as to educate new and prospective suppliers about Virginia ABC's policies and procedures.

ABC Product Management Committee

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VIRGINIA ABC'S CORPORATE PRINCIPLES

MISSION

To generate a reliable stream of revenue for Virginia and promote public safety through the responsible sale and regulation of alcoholic beverages.

VISION

To bring good spirits and excellent service to Virginia.

VALUES

Accountability — We build trust by delivering on our promises.

Service — We take pride in our role as public servants and put customers, both internal and external, first in all we do.

Integrity — We are fair, consistent, transparent and treat everyone with respect.

Performance Excellence — We are innovative, collaborative and strive to improve every day.



PRODUCTS



Virginia ABC considers new products to be carried in its stores or in the Special Order Catalog on a quarterly basis. The process of bringing in new items is called “Listings,” and the new products appear on shelves, on our website and in the Spirited Virginia magazine at the beginning of each quarter—January, April, July, and October.

To be considered, a new product must be presented to the Virginia ABC Listing Committee for evaluation. These presentations are held approximately three months prior to the on-shelf date. Products presented must meet the requirements listed below. Virginia ABC prescreens products for presentation approximately one month prior to the presentation week.

The Listings Committee selects products for broad distribution (e.g. 100 stores), limited distribution, one-time buy, Special Order Catalog and/or inclusion in the online ordering catalog.

- Accepted products must be available and ready for sale by the expected on-shelf date. This requires that the product be in the Virginia ABC bailment warehouse at least two weeks prior to that date. If the product will not be available as needed, it is best to delay the listing presentation.
- Products presented must be entered into Virginia ABC’s Management of Inventory Product Sales (MIPS) online system, available through the ABC website.

The Listing Committee will evaluate products based upon the following criteria:

- **Brand Strength/Recognition**
Are customers aware of the product?
- **Price**
How does the price compare to other products and who is the competition?
- **Category Need**
Does Virginia ABC currently carry similar products? What makes the new product unique? Does the new product fill a need that is not filled by products currently carried by Virginia ABC? What incremental sales will the new product produce for Virginia ABC?
- **Category Trends**
Is the category growing or declining?
- **Sales in Other States**
Does the product have any sales history to demonstrate the product’s potential?
- **Marketing Support**
What methods will the supplier use to create awareness and demand for the product, e.g. in-store sampling, consumer promotion, price discounting support, on-premise promotion?
- **Packaging and Appearance**
Will it attract consumer attention?
- **Special Order Demand/Customer Requests**
Have there been any sales through Virginia ABC’s special order process or, if applicable, through the supplier’s distillery store?

Products are scored from 1–5 on each criteria to aid the committee’s decision making.

Preference may be given to products that are made or distilled in the Commonwealth of Virginia or that have been awarded the distinction of “Virginia’s Finest” by the Virginia Department of Agriculture and Consumer Services. (See www.vdacs.virginia.gov/vafinest.) If the product was made or distilled in Virginia, it must be stated on the bottle.

REQUIREMENTS FOR LISTING

- Supplier must be able to meet a minimum stocking quantity amounting to a case/store ratio based on the number stores assigned and warehouse stock.
- Suppliers are required to send a list of products they plan to present to the committee.
- The Listing Committee will pre-screen submissions and select which items will be presented.
- Suppliers must submit a “Product Specifications” form in the MIPS online system, available through Virginia ABC’s website, by the established deadline or receive zeroes in scores for missing information.

INFORMATION NEEDED TO COMPLETE THE “PRODUCT SPECIFICATIONS” FORM

- Proof/alcohol (%)
- Number of bottles per case
- Cost of shipping per case
- Net cost per case (The retail bottle price is calculated based on information provided.)
- UPC code
- Shipping container code (SCC)
- Number of cases per pallet
- Number of cases per layer on the pallet
- Case weight (in lbs)
- Case dimensions (in inches)
- Bottle dimensions (in inches)
- Shipping origination point

There is no appeal process for products not listed.

If a product is not listed, it must wait one year before being re-presented for listing consideration. This waiting period may be waived only if the ownership of the product has changed since the last listing presentation or there is new information regarding the product and why ABC should carry it.

The Virginia ABC Listing Committee reserves the right to reconsider products at any time, even those that were not selected and may have been required to wait 12 months for listing reconsideration.

SIZE EXTENSIONS

Size extensions are considered in the listings process along with other new items, and all of the same criteria and requirements apply. To qualify to present a size extension for consideration, the brand’s existing sizes each need to be returning at least \$150,000 in annual contribution margin.

Delisting is the process by which poorly performing products are removed from the Virginia ABC system.

- A new product is given seven months from the date of listing to achieve one-half of the established annual sales threshold. If this is not achieved, then the product becomes a candidate for early delisting.
- A new product is given 14 months to meet or exceed the established annual sales threshold. If a product does not meet the threshold after 14 months, then it is a candidate for delisting.

Virginia ABC uses by-category by-price tier thresholds for “total sales” and “sales per store selling” to evaluate product performance. If a product falls below both of these thresholds, it will be a candidate for delisting and will be reviewed accordingly. Virginia ABC publishes updated thresholds on an annual basis. Please contact Maria Jeter (maria.jeter@abc.virginia.gov) for the current thresholds. Virginia products are expected to achieve at least 50 percent of the non-Virginia product threshold.

Products with a pattern of out-of-stock at the Virginia ABC bailment warehouse due to inconsistent product supply may also be delisted. Virginia ABC also reserves the right to delist products based on poor vendor performance.

Delisted items must wait two years from the date of delisting until the product can be presented again for listing consideration. This waiting period will be reduced to one year only if the ownership of the product has changed since the product was delisted.

Virginia ABC reserves the right to reconsider products at any time, even those that were delisted and may have been required to wait for listing reconsideration for up to 24 months.

Once a product has been delisted, any inventory in the Virginia ABC bailment warehouse must be retrieved immediately.

Delisted products will often be discounted in Virginia ABC retail stores in order to remove any remaining inventory from store shelves.

SPECIAL ORDER CATALOG



As a service to customers, Virginia ABC places products with limited distribution in its Special Order Catalog. These are typically products for which there is some demand, however not significant, due to either price or low product awareness by customers. Products offered to Virginia ABC with a small allotment may also be placed in the Special Order Catalog since there may not be enough to stock in Virginia ABC stores.

The Special Order Catalog allows Virginia ABC to offer suppliers the opportunity to build a product following and create product demand. Once that demand has been built, the supplier can submit the product for consideration to be included on the standard price list.

STORE SELECTION



Suppliers may make suggestions as to which stores they would like to be listed in; however, the final decision will be made by Virginia ABC.

DISCOUNTING

Discount allowances (DAs) for distilled spirits and nonalcoholic mixers may be performed up to six times a year for each brand-label name. For example, brand “x” green apple vodka may be discounted six times a year and brand “x” watermelon vodka may also be discounted six times a year. Discounting different sizes of the same brand label each count as one of the six allotted discounts.

Virginia wines may be discounted up to seven times a year. Virginia ABC discounts Virginia wines an additional 15 to 20 percent during Virginia Wine Month (October) on top of any discount already offered by the supplier.

New products may be discounted in their first month of availability.

Minimum discount thresholds are shown below:

PRODUCT TYPE	QUALIFICATION TO DISCOUNT	MINIMUM DISCOUNT
Nonalcoholic mixer	none	none
Virginia wine	none	none
Distilled spirits:		
50mL	n/a	no discounting allowed
100mL	n/a	no discounting allowed
200mL	n/a	no discounting allowed
375mL	Retail bottle price is \$20 or greater	\$1.00 or 5% off retail bottle price*
750mL		\$1.00 or 5% off retail bottle price*
1L		\$1.00 or 5% off retail bottle price*
1.75L		\$2.00 or 5% off retail bottle price*

* In these cases, the minimum discount can be by fixed dollar value or percentage, whichever is greater.

WAREHOUSE





Virginia ABC uses a bailment warehouse system. This means that products delivered to the Virginia ABC warehouse must be consigned to the supplier in care of Virginia ABC. While products are stored in the Virginia ABC bailment warehouse, the supplier is the owner of, has legal title to, and bears the risk of loss of those products, except for loss or damage caused by Virginia ABC's failure to exercise such care in regard to stored products as a reasonable, careful person would exercise under like circumstances. Virginia ABC will take title to products only once they are purchased by Virginia ABC (at the time the product is picked up for delivery to Virginia ABC retail stores).

There are minimum and maximum levels for each product code maintained in the Virginia ABC bailment warehouse. Suppliers will be provided with access to a report detailing inventory levels for their products. It is the responsibility of the supplier to manage appropriate inventory levels in the Virginia ABC bailment warehouse.

The minimum inventory level for high-volume items will be set at a 10-day supply based on the seasonally adjusted historical average. The minimum level for medium-volume items will be set at a 15-day supply based on the seasonally adjusted historical average. The minimum level for low-volume items will be set at a 30-day supply based on the seasonally adjusted historical average or one pallet, whichever is greater. The minimum level for direct import items will be set at a 30-day supply based on the seasonally adjusted historical average.

The maximum inventory level for high-volume items will be set at a 30-day supply based on the seasonally adjusted historical average. The maximum level for medium-volume items will be set at a 45-day supply based on the seasonally adjusted historical average. The maximum level for low-volume items will be set at a 60-day average based on the seasonally adjusted historical average. The maximum level for direct import items will be set at a 60-day supply based on the seasonally adjusted historical average.

Suppliers are required to maintain adequate inventory levels or a specified amount of inventory as provided by Virginia ABC for items that will receive price discounts or advance buys. Virginia ABC will notify supplier of its expected inventory requirements 30 days prior to the anticipated withdrawal date.

CASE CODE LABEL INSTRUCTIONS

The “case code label” is one of the major benefits to the control state coding system. Following is an example and explanation of the approved case code label:



- A. Actual size of the case code label is 4"x 6."
- B. Case code labels should be on white stock paper with black lettering unless approved otherwise.

- The size of the product must be included.

1. Product Description:

2. Control State Code Number:

- “320” represents the three-digit prefix to further identify class and type. “43136” is the unique six digit CSC number. (Note: All leading zeros should be omitted.) “75” represents the two-digit suffix identifying the size. The control state code number should be 7/8" to 1" high. The prefix and suffix number should be ¼" to ½" high.

3. Other State Code Numbers:

- Pennsylvania and North Carolina code numbers should be 7/8" to 1" high. All other state code numbers should be ½" high.

4. UPC Symbology

The UPC symbology should be located in the lower left-hand corner of the case code label.

5. Location:

The label should be located on an end panel.

All bar codes (UPC, EAN, SCC-14, SSCC-18, and other AIs & Data) shall be printed and placed in a vertical bar configuration (picket fence). Placement of bar codes is independent of print technology and symbology employed.

If you have any questions about where to place bar codes or if they are in proper format, please contact the Virginia ABC Transportation department at (804) 213-4524.

DELIVERY OF PRODUCT TO WAREHOUSE

Suppliers will be responsible for determining the quantities of merchandise to be delivered to the Virginia ABC bailment warehouse for storage as provided by the minimum and maximum inventory levels. Suppliers shall schedule deliveries through the Management of Inventory and Product Sales (MIPS) system. Trucks without an appointment will not be unloaded.

Cases that are received at the Virginia ABC bailment warehouse with visible damage will be unloaded into a holding area. The supplier will be notified and asked for disposition instructions.

Supplier must notify Virginia ABC by letter 30 days prior to a pallet configuration change or Virginia ABC will not be responsible for any discrepancies.

WITHDRAWAL OF PRODUCT FROM WAREHOUSE

A supplier may request a withdrawal of product inventory from the Virginia ABC bailment warehouse. The request is reviewed and either approved or denied by the ABC Freight Traffic and Inventory Manager. If the request is approved, then the product that has been requested will be collected and staged for loading onto the supplier's truck.

Reasons for withdrawal requests vary, but may be due to the delisting or discontinuation of a product, the supplier's need to reallocate some of their inventory to another location (i.e., West Virginia has run out and there is more than enough inventory to cover Virginia currently stored in the Virginia ABC bailment warehouse), the maximum inventory level at the Virginia ABC bailment warehouse has been reached, or product is defective or unsalable.

**Note: The ABC Freight Traffic and Inventory Manager will discuss the issue with the supplier and if inventory levels permit for the withdrawal, the request may be approved. The ABC Freight Traffic and Inventory Manager will also determine whether a fee for this service will be assessed. A supplier may be charged \$22.00 per hour for this service with a one-hour minimum.*

Suppliers will be charged for the following services:

INCIDENTAL CHARGES

(Effective: November 2018)

Category 1 Fees		
Category	Fee	Description
Labeling/re-labeling cases	\$3.00/per case –1st offense per calendar year	Missing/Incorrect NABCA product code number
	\$5.00/per case – 2nd offense per calendar year	
	\$10.00/per case – 3rd offense per calendar year	
	Increase by increments of \$10.00 for future occurrences	
Recooperage	\$10.00/per case	Bottle/case change; repacking damaged cases
Replacing damaged pallet/ combining/separating/ restacking cases	\$5.00/per case	
Destroy product	\$10.00/per case	
Physical inventory	\$22.00 per hour (1 hour minimum)	
Late/after hour receiving	\$50 per hour	The fee calculation begins at 2:30 p.m. and ends fifteen minutes after the truck is unloaded.
Closeout product in bailment not removed from warehouse within 30 days notice	\$100 per day for every day after 30 day notice	Virginia ABC will give vendor 30 days notice when closeout product must be removed from ABC warehouse. Failure to do so will result in a fine.

INCIDENTAL CHARGES, CONTINUED

(Effective: November 2018)

Category 2 Fees <i>Scorecard compliance greater than 95% (to the second decimal) = following fees waived</i>		
Category	Fee	Description
Unscheduled receiving fee	\$250 per incident 90%-95% compliant	Carrier/Vendor arrives without a delivery confirmation number
	\$500 per incident less than 90% compliant	
Missed receiving appointment	\$250 per incident 90%-95% compliant	Waived with 24 hour notice
	\$500 per incident less than 90% compliant	
Inaccurate entry of shipment information on inbound delivery appointments	\$250 per incident 90%-95% compliant	<ul style="list-style-type: none"> Inaccurate entries of product(s) Inaccurate entry of case quantity Product not set up or inactive in MIPS
	\$500 per incident less than 90% compliant	
Change in product information/ configuration without prior notification	\$250 per incident 90%-95% compliant	No prior notice from vendor of changes in product information (UPC barcode, SCC barcode, NABCA product code, case configuration, etc.)
	\$500 per incident less than 90% compliant	
	If warehouse production is delayed due to lack of notification, an additional charge for the labor time lost will be applied at the burdened labor rate of \$23.75 an hour x the number of employees working on that particular shift	
Packaging Malfunction	If warehouse production is delayed due to packaging falling apart, an additional charge for the labor time lost will be applied at the burdened labor rate of \$23.75 an hour x the number of employees working on that particular shift	<ul style="list-style-type: none"> Packing falling apart Broken packaging

SUPPLIER SCORECARD AND FEES

The fee structure is based upon the Supplier Scorecard that is maintained by Virginia ABC. Certain fees are assessed on a case-by-case basis (see Category 1 Fees chart, *page 15*), while others are assessed on a sliding scale (see Category 2 Fees chart, *page 16*) based on your overall score on the Supplier Scorecard.

The goal is for all suppliers to maintain a Supplier Scorecard Overall Score of 95.00 or greater. Maintaining a score of 95.00 or greater will result in having all category 2 fees waived. The scorecard will be based on the Delivery Violations (see below) from the beginning of the fiscal year on July 1 through the current month. The scorecard calendar will “reset” at the start of each fiscal year. Suppliers will not be subject to category 2 fees until the number of deliveries meets 20 per fiscal year. These fees will be assessed monthly and deducted from merchandise payments by Virginia ABC.


DELIVERY VIOLATIONS:

- Delivery appointment cancellations (without 24 hour notice)
- No shows for a scheduled appointment
- Inaccurate entries of products
- Inaccurate entries of product quantities

LISTINGS AND PROMOTIONAL DECISIONS

Suppliers’ overall score on the Supplier Scorecard is part of the criteria used in Virginia ABC Marketing’s listings and promotional decisions.

Virginia ABC will publish all Supplier Scorecard scores monthly to ensure transparency throughout the process. The figure below shows a sample of the new Supplier Scorecard.

		VIRGINIA ABC SUPPLIER SCORECARD <i>(Example Supplier Scorecard)</i>			
Supplier: Example Supplier XYZ		Date of Scorecard: 11/01/2018			
Period: October 2018		Scorer: Example Employee			
<i>Criteria</i>	<i>Target</i>	<i>Violations</i>	<i>Deliveries</i>	<i>Variance</i>	<i>Score</i>
Delivery Violations	5%	3	65	4.62%	95.38%
Cancellation		1			
No show for a scheduled appointment		0			
Inaccurate entries of products		1			
Inaccurate entry of product quantities		1			

(Score calculation = (# deliveries – violations)/total deliveries)

CONTACT INFORMATION

SPECIAL ORDERS

Robin Fox
Product Specialist Manager
(804) 213-4524
robin.fox@abc.virginia.gov

NEW PRODUCT LISTINGS PRESENTATIONS, DELISTINGS, OR DISCOUNTING

Maria Jeter
Marketing Product Manager
(804) 213-4523
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ALLOCATED, HOLIDAY AND OTHER LIMITED-TIME-ONLY PRODUCT OFFERINGS OR PLANOGRAMS

Joy Reeves
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THE BAILMENT WAREHOUSE

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